

AMENDED IN SENATE JUNE 4, 2007

AMENDED IN SENATE APRIL 16, 2007

**SENATE BILL**

**No. 446**

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**Introduced by Senators Yee and Runner**

(Principal coauthor: Assembly Member Carter)

**(Coauthor: Senator Ridley-Thomas)**

(Coauthors: Assembly Members Mendoza and Sharon Runner)

February 21, 2007

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An act to repeal Part 4 (commencing with Section 18000) of Division 7 of the Business and Professions Code, and to add Chapter 2.7 (commencing with Section 13996.8) to Part 4.7 of Division 3 of Title 2 of the Government Code, relating to economic development, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 446, as amended, Yee. Microenterprise development.

Existing law sets forth the duties of the Business, Transportation and Housing Agency in promoting economic development in the state generally.

Existing law encourages various local agencies to access or promote partnerships that invest in microenterprise development, as defined, or include microenterprise development as part of their economic development strategy.

This bill would require the Business, Transportation and Housing Agency to administer a program providing grants on a competitive basis to a qualifying microenterprise development provider or providers, as defined, for capacity building projects, as defined, and to the extent funds are appropriated for that purpose by the Legislature. It would require the agency, subject to the availability of funds for that purpose,

to contract with a nonprofit intermediary for the administration of the grant program and the provision of certain services relating to the grant program. It would also make a technical, conforming change.

This bill would appropriate ~~\$5,000,000~~ \$500,000 from ~~an unspecified fund~~ the General Fund to the agency for these purposes, to be allocated according to a specified schedule *and available for these purposes until December 31, 2010.*

Vote: ~~majority~~<sup>2/3</sup>. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Part 4 (commencing with Section 18000) of  
2 Division 7 of the Business and Professions Code is repealed.

3 SEC. 2. Chapter 2.7 (commencing with Section 13996.8) is  
4 added to Part 4.7 of Division 3 of Title 2 of the Government Code,  
5 to read:

6  
7 CHAPTER 2.7. MICROENTERPRISE DEVELOPMENT

8  
9 13996.8. For the purposes of this chapter, the following  
10 definitions shall apply:

11 (a) "Capacity building" means the ability of an organization to  
12 fulfill its mission through a blend of sound management, strong  
13 governance, and a persistent rededication to achieving results.  
14 Examples of capacity building projects for microenterprise  
15 development programs include, but are not limited to, all of the  
16 following:

17 (1) Acquisition of computer hardware, software, and technology  
18 skills to better assess and track microentrepreneurial activities,  
19 and evaluate and report microenterprise progress and program  
20 outcomes.

21 (2) Computer upgrades and software to ensure effective  
22 microloan tracking.

23 (3) Professional development of trainers and business  
24 consultants.

25 (4) Development of outreach materials to communicate with  
26 special populations.

27 (5) Development of Web sites to facilitate microentrepreneurial  
28 access to regional business services.

1 (6) Expansion of staff for program delivery or evaluation, or  
2 both, information management, and fund development.

3 (b) “Low income” refers to an income at or below 80 percent  
4 of the low- and moderate-income (LMI) category used by the  
5 federal Department of Housing and Urban Development.

6 (c) (1) “Microenterprise” means a sole proprietorship,  
7 partnership, or corporation that meets all of the following  
8 requirements:

9 (A) Has fewer than five employees, including the owner.

10 (B) Is part time or full time.

11 (C) Generally lacks access to conventional loans, equity, or  
12 other banking services.

13 (2) Microenterprises are distinct from small businesses or  
14 microbusinesses and include, but are not limited to, businesses  
15 that provide child development services, businesses that provide  
16 landscaping services, businesses that provide building maintenance,  
17 businesses that provide personal and business services, businesses  
18 that provide specialty food products, and home-based businesses.

19 (d) “Microenterprise development provider” means a nonprofit  
20 or public agency that provides self-employment training, technical  
21 assistance, and access to microloans to individuals seeking to  
22 become self-employed or to expand their current business.

23 13996.85. (a) Every city, county, and city and county is  
24 encouraged to access microenterprise development in order to  
25 create new jobs and income opportunities for individuals of low  
26 and moderate income.

27 (b) Every city, county, and city and county is encouraged to  
28 include microenterprise development as a part of its economic  
29 development strategy.

30 (c) California communities and the public agencies that serve  
31 them, such as workforce investment boards, community colleges,  
32 and local economic development agencies, are encouraged to  
33 promote local partnerships that invest in microenterprise  
34 development.

35 13996.9. (a) The Business, Transportation and Housing  
36 Agency shall administer, or pursuant to subdivision (d), contract  
37 for the administration of, a program providing one-time grants on  
38 a competitive basis to a microenterprise development provider or  
39 providers qualifying under subdivision (c), for capacity building  
40 projects, as described in subdivision (a) of Section 13996.8.

(b) (1) Each grant provided pursuant to this section shall cover a two-year period, in an amount totaling a minimum of fifty thousand dollars (\$50,000) for each year, but not to exceed a total of one hundred thousand dollars (\$100,000) for each year.

(2) No less than 40 percent of the funds available for purposes of this section shall be granted to a qualifying microenterprise development provider or providers serving rural communities.

(c) In order to qualify for a grant pursuant to this section, a microenterprise development provider shall meet all of the following criteria:

(1) It shall be a nonprofit corporation qualifying for tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

(2) It shall deliver, or propose to deliver, microenterprise development services to low- and moderate-income individuals starting or operating microenterprises in the state. At least 50 percent of the provider's clients shall be low income.

(3) It shall deliver microenterprise development services such as entrepreneurial training, technical assistance toward the preparation of a business plan for operation of a business or supporting the successful repayment of a business loan, loan packaging, entrepreneurial support services such as business networks and mentoring, or microlending.

(4) Its program shall have been in operation for at least two years and serving a minimum of 100 microentrepreneurs or prospective microentrepreneurs per year.

(5) It shall demonstrate that its proposal will increase its organizational capacity to serve at least 20 percent more individuals per year over the next five years.

(d) (1) Subject to the availability of funds for that purpose, the agency shall award a competitive contract to a nonprofit intermediary to administer the grant program and to conduct microenterprise practitioner training and provide technical assistance to support the capacity building projects of the grantees under this section. Training shall include training in the best practices of microenterprise development, such as entrepreneurial training and microlending.

(2) The nonprofit intermediary shall collect and analyze data from grantees and report to the Business, Transportation and Housing Agency and the Legislature on the results of the program by no later than January 1, 2010.

(e) Grants shall be provided pursuant to this section to the extent that funding is appropriated for that purpose by the Legislature.

SEC. 3. ~~The sum of five million dollars (\$5,000,000)~~ *(a) The sum of five hundred thousand dollars (\$500,000) is hereby appropriated without regard to fiscal years from the \_\_\_\_\_ from the General Fund to the Business, Transportation and Housing Agency for the implementation of Section 13996.9 of the Government Code, as added by Section 2 of this act, to be allocated as follows:*

~~(a) Four million five hundred thousand dollars (\$4,500,000) for~~ *(1) Four hundred fifty thousand dollars (\$450,000) for grants provided under that section.*

~~(b) Five hundred thousand dollars (\$500,000) for a two-year~~ *(2) Fifty thousand dollars (\$50,000) for a two-year contract with a nonprofit intermediary pursuant to subdivision (d) of that section.*

*(b) These funds shall be available for the purposes of this section until January 1, 2011. Any unencumbered funds remaining as of January 1, 2011, shall revert to the General Fund on that date.*